

MEMORANDUM FOR THE PRIME MINISTER

c.c.: Janice Charette, Nathalie G. Drouin

MERCHANDISE TRADE IN FEBRUARY 2022

(Information Only)

- On April 5, 2022, Statistics Canada released merchandise trade data, which showed that real exports increased by 0.5% in February from January, while real imports rose by 2.8% (Chart 1 in Annex). These gains follow sharp declines recorded in January (-4.2% for exports and -7.9% for imports).
 - Export volume increases were observed in 8 out of 11 product categories. Exports of aircraft and other transportation equipment (+53.4%) was the largest contributor, on the back of higher exports of private jets and commercial aircraft, following a sharp decline in January. Energy exports (+3.0%) also increased notably. On the other hand, consumer goods exports fell (-11.8%), as pharmaceutical product exports returned to more typical levels as one-off increases of COVID-19 related medical goods faded.
 - Eight out of 11 import categories saw volume increases, led by imports of metal ores and non-metallic minerals (+17.6%), which may have been supported by uncertainty about the future supply of metals from Russia. Imports of basic and industrial chemical, plastic and rubber products (includes fertilizers) rose (+6.0%) in February, as concerns around the availability and the cost of these products due to lower production in China and the uncertainty around the impact of the war in Ukraine led to some stockpiling.
- As imports grew faster than exports, the nominal merchandise trade surplus shrunk from \$37.5 billion (annualized) in January to \$32.0 billion in February (Chart 2). Market participants had expected a weaker imports growth, hence a slightly larger surplus (\$34.8 billion).
- By country, Canada's trade surplus with the U.S. continued to set records, reaching \$123.9 billion (annualized) in February, up from \$116.8 billion in January – the largest trading surplus since December 2005. Canada's trade deficit with countries other than the U.S. deteriorated from \$79.3 billion in January to \$91.9 billion in February,

SECRET

entirely driven by a larger deficit with China.

PCO Comment

- February data confirm that the border crossing blockades in February had limited impact on the flow of goods, as lower traffic at the impacted border crossings was partly offset by increased trade activity at other crossings. This suggests that border protests likely did not significantly disrupt the Canadian economic activity in February, in line with the advance real GDP estimate, which anticipates a growth of 0.8%.
- Data suggest that trade in motor vehicles and parts, while not seeing sharp declines, remains subdued. Supply pressures were previously anticipated to start to ease over the second half of the year, but the recent invasion of Ukraine by Russia – both producers of key materials used in the manufacturing of semiconductors – is now clouding the outlook. The normalization of automotive production to pre-pandemic levels is likely to be delayed further.
- Energy export volumes have trended up since early 2021. Combined with strong price increases, this has led energy products to account for 26.2% of total exports in February 2022, up markedly from 19.7% a year earlier. The strength in energy prices supported Canada's trade balance to post a surplus eight out of the past nine months.
- Nevertheless, risks to trade volumes persist, reflecting China's recent shutdown in Shanghai, other supply chain disruptions, and potentially softer European demand for non-commodity products. In addition, Canadian real exports are still down compared to the 2019 level (Chart 3).

Approved electronically by:

Michael Vandergrift

April 6, 2022

Attachment
Kim/Hamel/Brunelle-Côté

Annex: Charts and Table for Merchandise Trade, February 2022

Chart 1. Real Exports and Imports
in billions of 2012 dollars, annualized

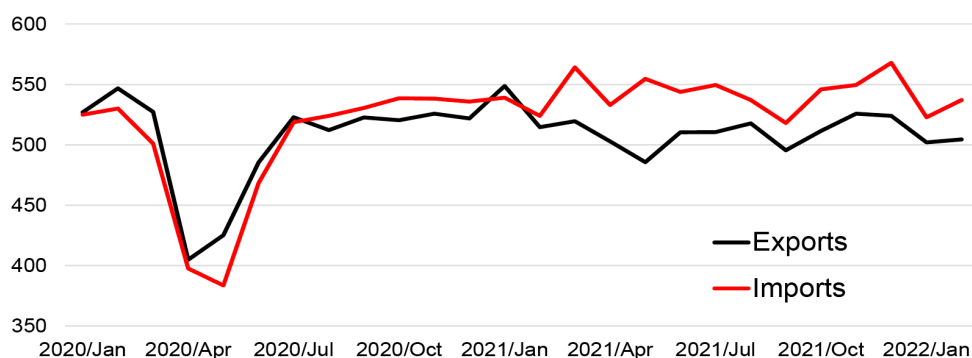


Chart 2. Merchandise Trade Balance
in billions of current dollars, annualized

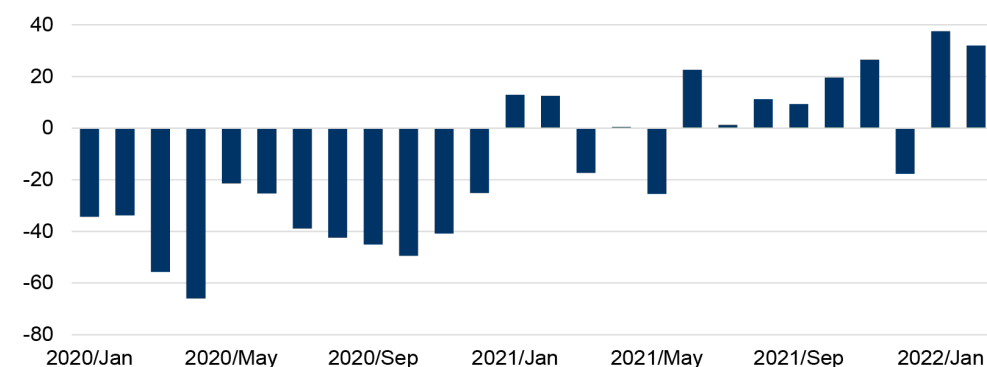
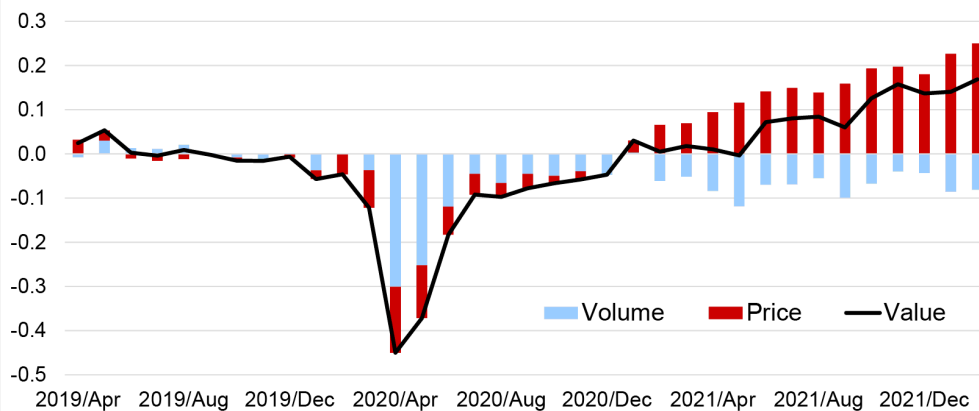


Chart 3. Nominal Export Growth, Breakdown by Price and Volume
Compared to the 2019 level (natural log changes)



SECRET

[APG]

Table 1. Real Exports and Imports by Product

Volume change (period-to-period)	February 2022		Fourth quarter 2021	
	Exports	Imports	Exports	Imports
Total	0.5	2.8	2.5	3.1
Farm, Fishing & Intermed Food Products	5.5	5.2	-4.0	2.9
Energy Products	3.0	-6.0	1.9	1.1
Metal Ores and Non-Metallic Minerals	3.5	1.6	17.3	20.8
Metal and Non-Metallic Mineral Products	-2.5	17.6	-2.6	-10.2
Basic & Ind Chem/Plastic & Rubber Prod	6.2	6.0	1.9	0.6
Forestry Prod/Bldg/Packaging Materials	2.1	3.6	-1.1	-0.8
Industrial Machinery, Equipment & Parts	1.9	2.2	0.6	-1.5
Electronic & Electrical Equip & Parts	2.5	2.1	2.6	3.8
Motor Vehicles and Parts	-6.4	1.8	14.0	12.7
Aircraft & Other Transport Equip & Parts	53.4	-9.7	-8.1	-2.7
Consumer Goods	-11.8	-0.3	6.3	6.7